

Message Text

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61

ACTION NEA-16

INFO OCT-01 AF-10 ARA-16 EUR-25 ISO-00 IO-14 JUSE-00 DRC-01

FEA-02 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-02 COME-00

DODE-00 EB-11 FPC-01 H-03 INR-10 INT-08 L-03 NSAE-00

NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06 SP-03 SS-20

STR-08 TRSE-00 /210 W

----- 026861

R 040830Z JUN 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1640

INFO AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY DJAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY LAGOS

/AMEMBASSY MANAMA 0390

AMEMBASSY PARIS

AMEMBASSY QUITO

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USINT ALGIERS

AMCONSUL DHAHRAN

C O N F I D E N T I A L ABU DHABI 0693

BEIRUT PASS BAGHDAD; KUWAIT PASS DOHA AND MUSCAT

EO 11652: ADS (DECLASSIFY JUNE 4, 1975)

TAGS: ENRG, XF, TC

SUBJ: PETROLEUM: VIEWS OF UAE MIN OTAIBA ON OAPEC AND OPEC MTGS

1. SHARED SAME FLIGHT TO CAIRO MAY 30 WITH UAE MIN PET

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OTAIBA WHICH PROVIDED OPPORTUNITY FOR SHORT DISCUSSION WITH

HIM ABOUT OPEC AND OAPEC CONFERENCES. HAVE NEVER SEEN MIN SO UNINSPIRED, BORED MIGHT BE A BETTER DESCRIPTION, AT PROSPECT OF ATTENDING INTERNATIONAL OILGMTGS. RE OAPEC CONF HELD CAIRO JUNE 2-3, OTAIBA ADMITTED THAT HE HAD NOT EVEN READ DRAFT AGENDA, BUT HE PREDICTED NOTHING OF REAL CONSEQUENCE WOULD BE DECIDED. ORIGINALLY ONE OF THE MAIN PURPOSES OF CAIRO MEETING WAS TO PERMIT ARAB OIL MINISTERS (MINUS IRAQ) TO DISCUSS USE OF OIL AS A POLITICAL WEAPON; ACCORDING OTAIBA, DISENGAGEMENT AGREEMENT COVERING SYRIA HAD RENDERED REIMPOSITION OF OIL EMBARGO OR LIKE MEASURES AGAINST US AS DEAD ISSUE, ALTHOUGH HE ACKNOWLEDGED SOME MEMBERS STILL OPPOSED LIFTING EMBARGO AGAINST HOLLAND.

2. FROM OUR TALK SENSED THAT OTAIBWCHAS NO ENTHUSIASM AT THIS TIME FOR TAKING POSITION ON TWO MAIN SUBJECTS ON AGENDA OF OPEC QUITO CONFERENCE-NAMELY, THE REVISION OF OIL TAX STRUCTURE AND THE PRICING ISSUE. WHILE UAE MIN CERTAINLY NOT ADVERSE IN PRINCIPLE TO SUPPORTING RECOMMENDATION OF OPEC ECONOMIC COMMISSION FOR INCREASE OF INCOME TAX TO SOAK UP COMPANIES' SO-CALLED "EXCESS PROFITS", HE RECOGNIZES DIFFICULTY IN ALTERING TAX STRUCTURE BEFORE PARTICIPATION ISSUE HAS BEEN CLARIFIED. FOR UAE AS WELL AS FOR OPERATING COMPANIES, OTAIBA FEELS REVISION OF PARTICIPATION AGREEMENT IS OVERRIDING ISSUE SO PERIOD OF STABILITY CAN RETURN TO PRODUCER/COMPANY RELATIONS. FROM TONE OF HIS REMARKS, I GAINED IMPRESSION OTAIBA NOT ENTIRELY SATISFIED WITH COMPREHENSIVENESS OF OPEC ECON COMMISSION'S STUDY OF PROFITS QUESTION, AND THEREFORE, HE HESITANT TO "GO TO THE WELL" NOW WITH THE CIMPANIES ON A DECIDEDLY SECONDARY ISSUE WHEN THAT ISSUE TIED SO CLOSELY WITH PARTICIPATION QUESTION, ON WHICH MIN EXPECTS CONSTRUCTIVE APPROACH FROM COMPANIES.

3. RE PARTICIPATION, OTAIBA REAFFIRMED THAT BEFORE ENTERING INTO NEGOTIATIKPN WITH COMPANIES, UAE STILL WAITING TO LEARN

FRAMEWORK OF ARRANGEMENT THAT WILL EMERGE FROM SAUDI-ARAMCO

TALKS. HE AGAIN EMPHASIZED UAE EXPECTS SOMETHING BETTER THAN KUWAIT ACHIEVED, AND IMPLIED COMPANIES ARE READY TO GIVE IT. OTAIBA INTENDED SOUND OUT YAMANI IN CAIRO CONCERNING DIRECTION OF SAG/ARAMCO NEGOTIATIONS AND ALSO PLANS MEET BP SENIOR OFFICIAL
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GEOFFERY STEEL AFTERWARDS IN LONDON.

4.A. OTAIBA DOUBTED YAMANI CAN MUSTER ANY SIGNIFICANT SUPPORT FOR SAUDI POSITION TO LOWER POSTED PRICE. WHILE CONCEDED THAT SAG PROBABLY COULD FORCE POSTED PRICE DOWN BY "OPENING THE VALVES", OTAIBA FELT YAMANI (AND KING FAISAL) HAVE BEEN UNSUCCESSFUL TO DATE IN SELLING THEIR ARGUMENT TO OTHER OPEC MEMBERS THAT FROM ECONOMIC STANDPOINT PRESENT PRICE LEVEL

TOO HIGH. YAMANI'S PREMISE IN FACE OF RAMPANT WORLD
INFLATION AND SKYROCKETING PRICES FOR OTHER BASIC COMMODITIES
THAT PRODUCERS MUST BUY SIMPLY UNSUPPORTED BY COMPETENT ECON
ANALYSIS. IN OTAIBA'S VIEW, SAG'S DEDICATION TO LOWERING
POSTED PRICE ONLY EXPLAINED ON POLITICAL GROUNDS.

B. AMOUZEGAR'S RECENT PERSONAL ATTACK ON YAMANI OVER PRICE
ISSUE SURPRISED OTAIBA ONLY BECAUSE HE KNOWS TWO ARE CLOSE
FRIENDS; BUT HE ACKNOWLEDGED THAT IRAN (AND OTHER OPEC MEMBERS)
IRRITATED SUFFICIENTLY OVER INCONSISTENCIES AND LACK OF ECONOMIC
BASIS FOR CURRENT SAG POLICY ON PRICES THAT AMOUZXXAR MUST
HAVE DECIDED PUBLIC AIRING OF ISSUE IN INTEREST OF ALL CONCERNED.
GRIFFIN

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